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SUBJECT: WASIT PROVINCIAL FINANCES: TREASURY, PROVINCIAL COUNCIL AND GOVERNOR PREPARED TO SPEND IRAQI RECONSTRUCTION FUNDS.

¶1. (SBU) SUMMARY. In a April 12 meeting with Regional Embassy Office staff, Wasit Provincial Treasurer Lu'ay Allah Wardi described procedures instituted by the Wasit provincial government to obligate and disburse the Regional Development and Rapid Reconstruction funds allocated to the province by the Baghdad Ministry of Finance. Overall, provincial authorities appear to have the technical capacity to receive and obligate the funds, as well as meet central government imposed reporting requirements. Less certain is the ability of provincial authorities to monitor reconstruction contracts for satisfactory performance. Wardi, however, indicated that additional employees sent to the province by the Ministry of Finance were ill-prepared for their jobs and required additional training.  
END SUMMARY

¶2. (SBU) Wardi said that he, Wasit Governor Lateef Turfa, and members of the Provincial Council (PC) had opened two separate bank accounts. The first account is designated for the receipt of funds from the Regional Development allocation and is controlled by the Governor. The second account will hold funds from the Rapid Reconstruction allocation and is controlled by the PC Chairman. Wardi does not foresee problems with this arrangement as the respective Directors General would be required to approve contracts and projects in their sector.

¶3. (SBU) A list of planned projects has already been forwarded to the ministries of Finance and Planning, according to Wardi. Many contractors have already received an advance of seven percent, as specified by Iraqi contracting regulations. Wardi did not know if any of the projects slated for this fiscal year would be greater than USD one million and thus require approval of a subcommittee of the Council of Ministers. However, he was confident, that the PC had enough projects pending to obligate the entirety of both accounts by the end of the FY 06.

¶4. (SBU) The Wasit Deputy Governor, according to Wardi, is heavily involved in the contract oversight process, often conducting site visits personally. Television stations in Wasit also report heavily on the award of contracts and reconstruction progress. Wardi did not know if other provincial council member or Directors General were involved in contract oversight

¶5. (SBU) Of the seven additional accounting personnel promised to the province by the Ministry of Finance, only four have arrived, and they are young and poorly trained, Wardi related. He is conducting additional training personally and does not foresee problems in meeting his accounting and reporting obligations. Wardi also reported that he expects to be connected to the electronic Financial Management Information System in the near future.

¶6. (SBU) COMMENT: Wardi is an experienced manager of Wasit's finances with over 40 years of government service in the province. His judgment that the Wasit provincial government has the technical capability to obligate the two main Iraqi reconstruction funds is likely accurate. More troubling is the apparent lack of an established plan for oversight of the contracts. REO staff will raise this issue with the Deputy Governor within the next week. The technical ability to spend the money, however, does not mean the Provincial Council has developed a plan for reconstruction that adequately takes into account the needs of the entire province, particularly the often-neglected mixed Sunni-Shi'a areas of Northwest Wasit. Given the domination of the Provincial Council by members from provincial capital of Al-Kut and the presence of several prominent general contractors on the PC, this will be a challenge.END COMMENT

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